

BARGAIN HUNTING WITH GEORGE GILDER:

**The Top Tech
Stocks To
Buy As The
Coronavirus
Selloff
Continues**



THE GEORGE GILDER REPORT

Bargain Hunting with George Gilder:

The Top Tech Stocks To Buy As The Coronavirus Selloff Continues

Welcome to this special report! We want to focus on tech-paradigm opportunities to help you profit in the current market panic. We'll be discussing stocks that we think are extremely attractive at current crash prices, along with other opportunities that might become attractive later on.

Expect further updates and additions to this special report frequently, until the market has stabilized.

Ok. Here's the situation.

Equity markets are down roughly 30%. A buying opportunity? A sign of worse to come? Almost certainly both.

Broad equity markets could easily drop another 25% or more.

In the panic of 2008, both the S&P 500 and the Dow dropped by more than 50%. The carnage started in October 2008. We hit bottom March 9, 2009. All it took was five months.

The current crisis could be worse and last longer. We hope not. But realistically, your stock portfolio could look worse three months from now than it does today.

So, should you hang on to cash and stay on the sidelines, waiting for a bottom? Or buy with both fists?

That's really the wrong question. In the midst of a market panic, you must continue to think like a long-term investor.

Focus on Enduring Value, Not Market Madness

This mindset does not necessarily mean mindless “buy and hold.” Nor does it mean grab your cash and get out.

What it does mean, now or in stabler market conditions, is to look at your portfolio and ask yourself, “Do I like what I own at the current price, compared to other opportunities?”

It’s like a poker game – every betting round is actually a new game. The money you threw in the pot is not “yours” anymore, but it is also not “gone.” Along with all the other money bet by other players in previous rounds, the new pot redefines the risk/reward opportunity. It is against *that* new opportunity that you must freshly evaluate your cards.

Yes, we’re human. We have our own gloomy moments over the 30% or so that seems gone from our portfolio. But we know that 30%, or our gloom, can’t make decisions for us. There is only one question that ever matters: Is what I own good value for the price at which I own it now?

Up and down the *Gilder Report* portfolio, we think the answer is yes.

We also think there are some huge opportunities out there in companies we don’t own yet. These are companies we like for the mid- to- long-term (five-10 years) that have all of a sudden gone on sale. Five years from now, we believe we will be very happy having bought them at today’s prices.

These are core tech-paradigm stocks. Unless the virus brings Armageddon, in which case we will have bigger problems, the long-term effect of the coronavirus on these companies will be nil.

But wait! Didn’t we just say prices could drop another 25% or more? Yes. And that includes all these stocks. Stocks we think you should buy today, that could very well get cheaper tomorrow.

That won’t change the fact that we bought great value at a discount. We will still own these stocks at a great price. When the

market comes back to recognizing that value, we will still have made our money — even if it turns out we could have bought a little cheaper, a little later, and made a little more.

Don't try to catch the bottom. You will fail 999 times out of a thousand. But there is a way to deal with the uncertainty about when the bottom will come. Ease into these stocks. Discipline yourself with a version of dollar-cost averaging by never committing more than 5-10% of your available cash per some arbitrary period, every week or two weeks.

That said, what do we want to buy?

Buying into these 'Cosm Paradigms

In *The George Gilder Report*, we look for mid- to large-cap companies with a significant edge in the technology they make or the way they use technology to build the internet economy. We generally divide the world into several paradigms, the most durable being our “cosms.”

The Microcosm: So named because it is the realm of electronic phenomena so small they can't be seen with the naked eye. So small that they are ruled as often by quantum physics as traditional. These are the microcircuits and the world of universal cheap computation they have created.

The Telecosm: The creators *and* exploiters of infinite bandwidth. Not just the Qualcomms and Huaweis that make the stuff, but also Tencent, Alibaba, and Ping An that are using bandwidth to build the true internet economy.

The Cryptocosm: The companies that use the processing power of the microcosm to protect and fully exploit the worldwide network made possible by the infinite bandwidth of the Telecosm. Blockchain and artificial intelligence (AI), are crucial here.

Storewidth: What, no 'cosm? Give us a break. Storewidth is a tongue twister as it is. This is every technology or company whose mission is to put an end to “storage” and get data out of your basement and into full use, probably in your AI. Companies

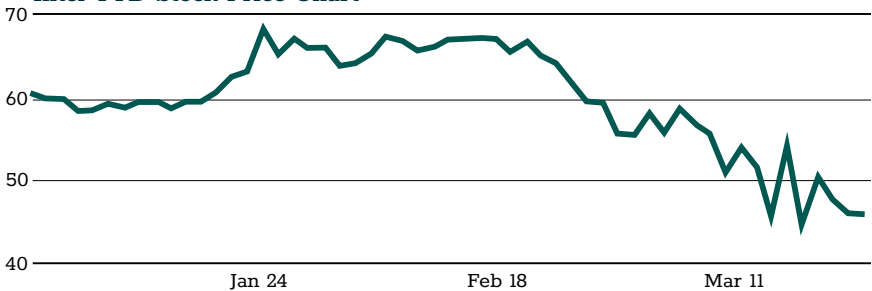
like Pure Storage lead the way in the fight to make your data available, addressable, and relevant as if it had never left your desktop. This paradigm is growing to entail all efforts to bring the power of the network back out to users on the edge rather than in the clutches of the hyperscalers. (Anyone for *Life After Google?*)

First, we'll offer up some great names from the Microcosm and Storewidth paradigms. Later on, we will focus on the Telecosm and the Cryptocosm. Please note: These numbers are as of market close on 3/24/20.

Microcosm on Sale!

Intel (INTC) CURRENT \$52.40
52-WEEK HIGH/LOW 69/43
PE 11

Intel YTD Stock Price Chart



Source: Yahoo Finance

Intel at a PE of 11?

It's not just because of the coronavirus. The stock has been flat-tish since 2018 (though it did participate in the late 2019 runup). Investors apparently believed the venerable company, which virtually created the Microcosm, was losing its edge particularly its ownership of Moore's Law. Intel fell seriously behind its own announced schedule for 10-nanometer circuit geometries (the intended next step down after 14nm.)

Repeatedly reducing the size of circuits is the basis of Moore's Law's promise to double processing power without raising cost

every two years. And Intel flubbed it. What's worse, Taiwan Semiconductor (TSM), the world's greatest silicon fab, released its first 7nm chips before Intel eventually straightened out its 10nm challenges and got into production.

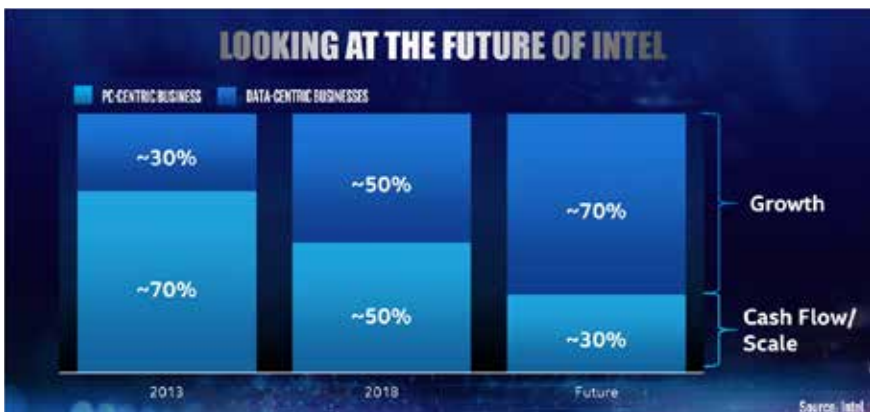
Oh, how have the mighty fallen.

Hold the schadenfreude. Unlike TSM, which as a "fab" only makes chips for other companies that were designed by those companies, Intel is far more than a manufacturer. Its preeminent contribution has always been in chip and system design. And despite the 10nm delay, it still boasts several of the greatest fabs in the world, especially its Kiryat, Israel facility.

Far more crucial than the bad publicity over the 10nm delay is that during the same period, Intel was reorienting its business, and not for the first time. For the first decade of its life, memories were Intel's cash cows. Manufacturing process, the key to memory cost, got much of the attention. When margins on memory approached zero the company was in real trouble. It was saved by re-emphasizing microprocessor design, including repeated triumphs in multi-core processors.

Now Intel is doing it again. Intel CPU's will still be inside your laptop or server, but the company is following the market to the internet reboot: To storage (storewidth), software, networking, AI, and the data center (including smaller, faster edge facilities).

In essence, Intel is quadrupling or more its total addressable



market from about \$52 billion to well over \$200 billion.

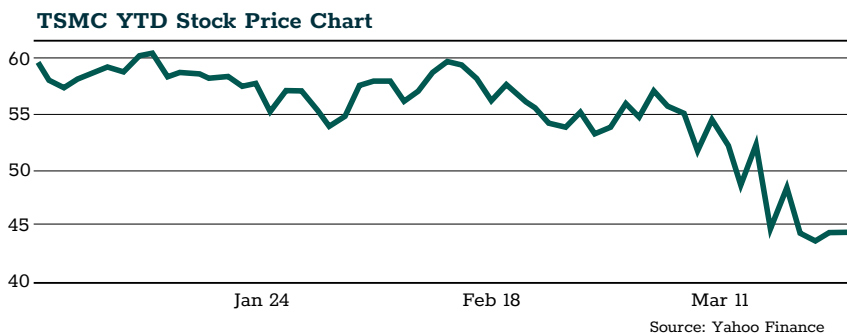
This is more than theory. Already what Intel calls its “data centric” lines of business have caught up with its traditional PC/CPU market, with the new stuff accounting for almost 50% of revenue. (See graphic above.)

By the way, adding Intel to our portfolio also means adding a new nation, and a paradigmatic one at that: Israel.

Per square inch or per square capita, no place on earth rivals Israel as a source of technology innovation. And Intel, born in Silicon Valley, has really been an Israeli company for years, with the vast majority of its innovative product and processes coming out of its Israel labs.

With Intel we add to the portfolio another great leader of the internet reboot, and at such a meshugge price! Oy gevalt!

Taiwan Semiconductor (TSM) CURRENT: \$48.88
52-WEEK HIGH/LOW 61/37
PE 22



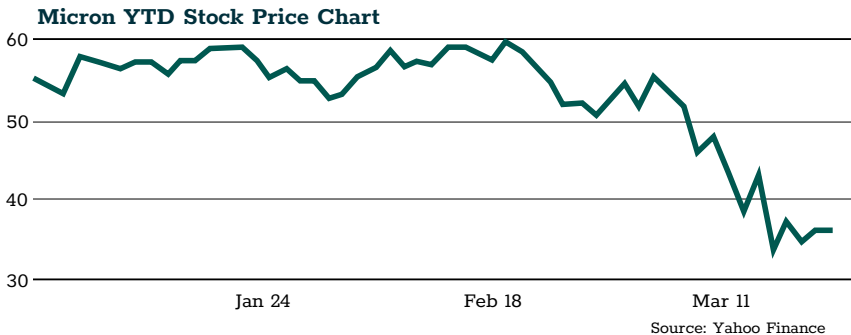
Despite the ambitions of the mainland to compete, TSM remains simply the greatest fabricator of silicon circuits in the world, routinely first to push forward Moore’s Law to ever denser circuitries, a consistent leader in chip yield per wafer, and nearly every metric of silicon processing prowess. Originally a play on cheap labor, it now boasts perhaps the most expert work force in the industry.

Most of the greatest “fabless” chip companies in the world defer their actual manufacturing to this Taiwanese master including Advanced Micro Devices, Apple, Broadcom, Marvell, MediaTek, Nvidia, and Qualcomm.

TSM pays a dividend, which at its current stock price works out to a yield of 6.3%, very attractive relative to the current 1.78% yield on 30-year US Treasury bonds. With TSM, we get long-term equity upside potential with a generous fixed income yield.

Heck, why am I still talking? TSM is on sale. Buy it.

Micron (MU) CURRENT: \$43.27
52-WEEK HIGH/LOW 61/31
PE 14



Ok, this is a weird one for us because it can't be considered a buy it and forget it, long-term investment.

Investors in memory chip makers are deeply devoted to playing the “chip-cycle.” Memory chips, both DRAM and NAND (stable memory for flash), though very challenging to fabricate, are essentially commodities, like corn. That is, assuming corn was made in multi-billion dollar super-high-tech factories in which every step along the assembly line has to be cleaner — much cleaner — than an operating room and in which most parts of the factory are off limits to humans.

So, not easy to make. But the big barriers to entry are not unique IP or even proprietary processes, but mostly capital. My friend

Peter Thiel says the only reason to innovate is to create a new monopoly. No monopolies here.

As a result, memory chip prices are like corn prices or oil prices, governed by supply and demand, which from time to time get out of sync, producing surpluses, cheap chips, and low profits; or shortages and high prices and profits.

Thus, though I have been an admirer of Micron since I first wrote about the company in my book *The Spirit of Enterprise* more than 30 years ago, I rarely own the stock. It requires too much attention to market details I'd rather not have to follow.

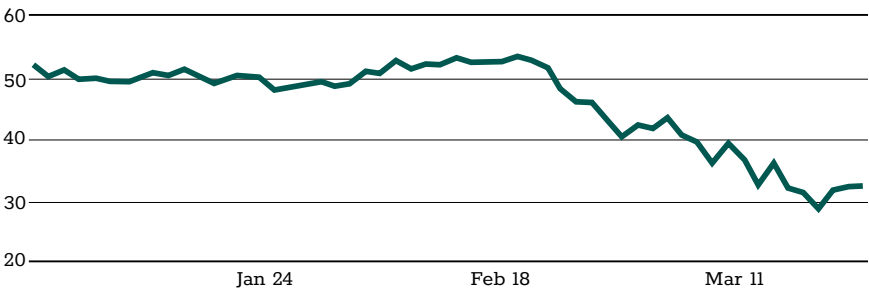
Just now, I might make an exception. After some months of brutal pricing, Micron had been giving guidance that it was experiencing an upturn in demand. The stock responded. Then the Coronavirus hit and it collapsed.

On Wednesday, Micron will release results for fiscal Q2 and give updated guidance. If it says demand is off on catastrophic economic news the stock could tank further, pushing it down into totally obvious buy-for-the-coming-cycle levels. I'd buy in the mid-30s, but I'd sell when it doubles or a little before.

Storewidth on Sale

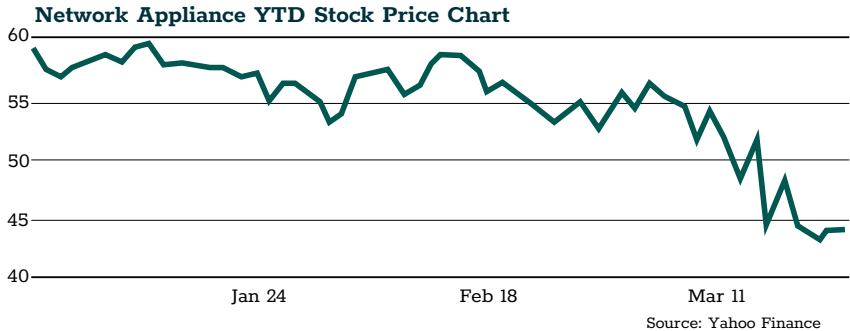
Dell (DELL) CURRENT: \$38.84
52-WEEK HIGH/LOW: \$71/26
PE 6.4

Dell YTD Stock Price Chart



Source: Yahoo Finance

NetApp (NTAP) CURRENT \$38.28
52-WEEK HIGH/LOW 78/36
PE 9



We love Pure Storage (PSTG). So do customers. So do store-width industry publications and analysts including Gartner, IDC, and Forrester. We love PSTG's flexibility, its eagerness to provide storage as a service — not a pile of potentially obsolete hardware — even when the hardware is residing on the company's premises. We love its founding and first ever commitment to all-flash all-the-time which not only makes everything faster but enhances pre-processing of relevant data, crucial for AI applications. And we love that the company is an Edge Warrior, facilitating on-your-premises systems that use the cloud only where high-latency is acceptable.

But as we pointed out in our issue on PSTG back in October, one reason we were so confident Pure is on the right track is how quickly its competitors — including some great companies — have been imitating it.

Dell, once largely a maker of cheap PCs, became the largest pure-play store-width company by buying EMC, the first great data center firm, back from before it was called the cloud. Via EMC, Dell also acquired VMWare, the high-powered virtualization software firm. Virtualization separates the application and control levels of a system from the underlying hardware, allowing a single physical machine to run multiple programs or operating systems simultaneously.

Despite its EMC acquired cloud heritage, Dell is becoming part of

the trend toward returning data to the Edge where it is relevant. VMWare is part of that effort as it facilitates hybrid storage systems sharing on premises edge facilities with cloud capabilities.

This huge company was cheap compared to peers even before the crash. We guess that was driven by several factors. Taken private by Michael Dell in 2013, it was brought back to public markets less than two years ago, with an initially complicated structure that confused investors. It has missed earnings estimates more than once since coming back out.

And then there is the debt, accumulated both in the buyback and the acquisition of EMC. This is a highly leveraged company, but interest rate coverage is comfortably above 3X and management has been very focused on reducing the debt.

Switching gears, we first recommended NetApp (NTAP) to readers 20 years ago as our very first “store-width paradigm” investment because it was so focused on enabling fast access, on-premises data management. Today, like both PSTG and Dell, NetApp manages hybrid on-premises plus cloud systems. It has an impressive list of corporate partners as the graphic below suggests.

Network Appliance's Current Customers at a Glance



Source: Network Appliance

Bottom line: We regard PSTG as the innovative leader in the charge back to the edge. But the internet reboot and the empowered edge is going to be good for all the strong store-width companies. They all have a paradigmatic wind at their backs. We might not have added DELL or NTAP if their prices had not col-

lapsed, but they did. So we are.

Stay tuned for bargains in the Telecosm and Cryptocosm, and maybe another storewidth company as well.

Be careful out there.

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